GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:487
ANSWERED ON:28.04.2000
ACTION AGAINST MAURITIUS BASED FOREIGN INSTITUTIONAL INVESTORS
AJAY SINGH CHAUTALA;RAMSHETH THAKUR

Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government have suspended action against Mauritius based Foreign Institutional Investors (FIIs);

(b) if so, the details thereof including the companies against which action has been suspended and also of those companies against which action has been completed so far;

(c) the reasons for suspending the action; and

(d) the likely effect on the Indian economy as a result thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI V. DHANANJAYA KUMAR)

(a), (b) & (c) : Under the Double Taxation Avoidance Convention between India and Mauritius, residents ofMauritius are eligible to the tax benefits incorporated in the Convention.

For the assessment year 1997-98 the Assessing Officers denied these benefits to 24 companies in orders passed in March 2000. Since this related to the interpretation of the provisions of the bilateral treaty between two countries, and in view of the uncertainties that these orders created, Central Board of Direct Taxes (CBDT) examined the matter and issued a clarificatory circular removing the confusion in this regard. Action had been temporarily suspended pending this examination.

(d) : Since the clarificatory circular of CBDT has settledthe doubts that had arisen following the assessment orders, it will have a positive effect.